

**QUARTERLY TASK  
ORDER PROGRESS AND  
COST REPORT**

**JULY TO SEPTEMBER  
2001**

**KYRGYZSTAN LOCAL  
GOVERNMENT INITIATIVE**

Prepared for



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## TABLE OF CONTENTS

Task Order Description .....	1
Task Order Progress Report .....	1
Work Performed During Previous Quarter .....	1
Significant Findings and Delays .....	8
Work Planned for Next Reporting Period .....	9
Specific Action Requested .....	10
Up-To-Date Schedule of Work .....	10

## ATTACHMENT

Cost Report

## **QUARTERLY TASK ORDER PROGRESS AND COST REPORT**

**JULY TO SEPTEMBER 2001**

### **KYRGYZSTAN LOCAL GOVERNMENT INITIATIVE**

#### **Task Order Description**

In October 1999, the United States Agency for International Development (USAID) contracted the Urban Institute (UI) to implement what became a three-year Local Government Project in Kyrgyzstan. UI is working to improve the efficiency, responsiveness and accountability of local government in Kyrgyzstan by providing training and technical assistance in financial and asset management and democracy and governance, contributing to the development of beneficial national policies affecting local governments and disseminating good practices, both domestic and international. UI has chosen Kant, Tokmok, Naryn and Uzgen as its pilot cities for activities with local impacts.

**Amount Obligated under Task Order:** \$4,515,661

**Total Potential Task Order Amount:** \$4,515,661

**Dollars expended to-date:** \$2,447,882

#### **Task Order Progress Report**

As required by Section F.5 of the Local Government Contract, below is a description of progress during the last quarter under this Task Order.

#### **Work Performed During Previous Quarter**

##### **Highlights**

- National conference held on “Managing Communal Property—Approaches and Experience in Kyrgyzstan”
- UI/Parliament round table discussion on draft law on communal property
- UI comments on draft local self-government legislation following reinvigorated cooperation with Presidential Administration on local self-government legislation
- Ten grants awarded after competitive procurements under second round of community grants program
- Public Budget Hearings held in two cities, with first-time hearings in Karakol

- All new LSG cities have finalized lists for transfers of properties from the state
- Prizes awarded to 15 winners of the UI/Soros Foundation “Best Condominium in Kyrgyzstan” competition; procurement training delivered and tenders held
- Association of Cities reverses State Property Fund action and defends cities’ property rights
- UI begins institutionalization of training programs in the Association of Cities

## Activities

### Introduction of Democratic Practices

**Citizen Participation**—After presentations in cities on the second round of UI community grants program, the cities of Kara-Balta, Karakol, Kara-Suu, Tokmok, Naryn, and Uzgen conducted citizen participation campaigns to identify citizens’ priority projects for the grant competition. City keneshes selected priority projects and applied for the grants. The grants competition board provided preliminary approval to 10 out of 13 eligible applications from Karakol, Kara-Balta, Kara-Suu, Naryn, Tokmok, and Uzgen. Projects approved were for road repair, repairs of schools, repair for street lighting, improvement of water services, and repairs of a city park. These cities underwent training and then held competitive procurements to purchase goods and services to implement the projects. Grants will cover approximately 50 to 60 percent of the total cost of projects and will total \$40,000. In a couple of cases, projects involved local community groups and non-government organizations (NGOs) engaging in awareness campaigns to preserve the physical improvements. Private companies agreed to contribute labor and materials for projects in Kara-Balta, Uzgen, and Naryn. Projects funded under the grants competition are scheduled for completion by November 2001. The grants competition generated significant local media coverage.

Karakol held its first public budget hearing on implementation of the FY 2001 budget and Naryn held a hearing on the proposed FY 2002 budget. In both cases UI conducted formal NGO/community training on the budget process, which included distribution of prepared budget-in-brief documents, in advance of the actual hearings. UI’s training has focused on educating community leaders to be able to ask the right questions on how expenditures affect quality of services in their city. The training has led to livelier hearings with better questions coming from citizens. UI also conducted budget training for NGOs and kenesh members prior to a public hearing in Balykchi to be held in October.

**Transparent, fair municipal procedures established**—Tokmok sold long-term use rights to its bus stops. Although not all of UI’s advice was adopted, transparent procedures for holding the sales recommended by UI were utilized. These recommendations included public notification and approval of the sales process by the local council.



UI held a second training seminar on competitive procurement procedures for officials from cities that won a grant for the first time under the community grants program. The procurement guidelines remain the same as in the past, i.e., following procedures set forth in Kyrgyz law (and modeled on World Bank guidelines), with the exception of removing requirements for bid or performance bonds. This alteration reflects the fact that contractors in Kyrgyzstan have been unable provide money up front for materials. Competitive tenders were successfully held in six cities across Kyrgyzstan. Cities which have implemented tenders for goods in the past for grants have shown marked improvement in the tender process, particularly in soliciting bids through advertisements and ensuring provision of complete information about the specifications of what is to be procured.

**Role of elected local councils increased**—As the bodies eligible to apply for the grants under UI's community grants program, councils took on a more prominent role as representatives of their cities. Deputies helped to organize town hall-style citizen hearings to discuss priorities for projects. Deputies also helped to mobilize local support to cover some of the other costs related to implemented proposed projects. In particular, the city council of Naryn committed to funding in next year's budget operational costs to run the city's street lighting system in the event of grant funding to conduct repairs.

UI provided comments to the Karakol city kenesh regarding a draft regulation on the city's preparation of its budget. The regulation is unique in that it takes significant steps in enlarging the role of the City Kenesh in the city's budget preparation process. Strict procedures are developed for kenesh oversight of the preparation process. This draft regulation will be shared with other city keneshes as a possible model for developing their own regulations.

UI has also made comments on draft property tax legislation being developed primarily by the Fiscal Reform. Comments focus on assigning councils their proper role as the local body responsible for legislation and regulation as well as approval of changes to local government financing. UI's recently made comments on Kyrgyz draft local self-government legislation also are directed at ensuring that the councils have sufficient oversight authority over local executives.

### **Increased Local Government Capacity**

**Financial Management**—UI has been assisting the Fiscal Reform Project in its work to establish a property tax for cities. It participated in a property tax workshop and has commented on successive drafts of the law. Further, UI's staff participated in working meetings in August and September to develop a Draft Budget Concept, a blueprint for how public sector budgeting should be reorganized. UI made comments on the section concerning how local governments were financed. These comments drew the attention of Ministry of Finance officials and MPs to problems with the current organization of public finances at the local level. UI anticipates working with these partners and the Fiscal Reform Project to install better clarity in terms of revenue assignments and autonomy of local budgeting.

AED has approved UI's application for a study tour to Hungary for municipal financial managers. The study tour is planned for early November and will focus on improved financial management procedures; better information systems; better communication between financial departments, treasury branch offices, and tax inspectorates; and concepts of capital planning and program budgeting. UI identified three potential training providers in Hungary for this training.

UI provided training and technical assistance for finance departments in Balykchi and Karakol for them to prepare budget-in-briefs in advance of their budget hearings. Both cities utilized forms generated through the FIS to prepare the documents. Naryn's finance department used the FIS to prepare its own budget-in-brief document for its hearings.

**Condominiums**—UI's partner regional condominium associations continued successful promotion of condominiums. The Chui Oblast condominium association facilitated registration of 4 condominiums (630 units) in Bishkek and Tokmok. An additional 214 units joined an existing condominium in Bishkek. Nash Dom also held seminars and promotional meetings in Issyk Kul Oblast and for residents and housing officials from Talas Oblast, leading already to the registration of one condominium (300 units) in Issyk Kul. The Osh regional association facilitated the registration of 7 condominiums (260 units) and the Jalal-Abad regional association also helped to register 7 new condominiums (450 units).

The associations also delivered a combined 20 two-day training sessions for 60 condominiums on governance and management in their respective regions. Each training session is attended by the chairperson, manager (if there is one), two board members, accountant, and a member of the audit committee from each condominium. UI and the Associations have also begun to include members of the NGO community and local government officials into the standard training courses, bringing the total number trained to 320 persons. Two special training sessions were held only for local government and utility officials in Osh and Tokmok at the latter's request.

All three associations continued to provide advisory services and hold meetings of condominiums to discuss best practices. The southern associations have also at long last begun to collect dues from their membership. UI's support of these associations has been reduced, though remains significant through contracts to deliver training.

The UI/Soros Foundation–Kyrgyzstan (SFK) Best Condominium Competition was completed with 15 condominiums selected as winners out of total 59 participants. The top three prize-winners were condominiums from Osh, Bishkek, and Mailuu-Suu. The award ceremony was followed by a training on competitive procurement for all winners. Bishkek, Osh and Jalal-Abad newspapers carried the results of the UI/Soros competition. All of the winners proceeded to conduct competitive procurements in their respective cities. 11 out of the 15 winners have concluded their tenders, signed agreements with the Soros Foundation on funding, and begun repairs. Tenders were declared invalid for three condominiums in Bishkek and one in Naryn due to a lack of bidding companies. These condominiums will hold a second tender in October.



The associations and condominiums in general have increased their media profile. Two full-page spreads on the Chui Oblast association appeared in Bishkek's major daily. Kyrgyz national radio has run several interviews with condominium heads. Local newspapers, particularly in Osh, regularly and generally positively report on condominiums and the regional associations. UI is also cooperating with the SFK as the latter finances production of three television broadcasts promoting condominiums.

UI is finalizing an analysis of the state of condominiums based on survey data collected in the summer. The analysis will be used to inform and make recommendations to local and national government officials regarding the development of housing, and to help regional associations develop programs.

**Asset Management**—UI organized a national conference on “Managing Communal Property: Approaches and Experiences” on July 11, 2001. A total of 85 persons representing key governmental agencies, the President's and Prime Minister's Administrations, MPs, 18 city governments and donor organizations participated. Local Government Minister Omuraliev co-chaired the day-long conference. In the course of Conference, recommendations on communal property management and the draft law were developed. On the following day UI ran a specialized asset management training seminar for practitioners for about 40 city officials and property managers.

The conference served two purposes:

- To build understanding of the issues faced by cities in their management of communal property and how these might be best addressed in the draft law “On Communal Property”
- To provide for information exchange on current practice in Kyrgyzstan, including showcasing UI's positive experiences and best practices developed in Uzgen and Tokmok.

The conference strengthened UI *bona fides* as an expert on municipal property issues in Kyrgyzstan. Following the conference UI cemented a close working relationship with the Parliamentary Economic Department which has been charged with incorporating comments from MPs and others to the communal property bill prior to its presentation at plenary session. UI worked closely with the parliamentary staffers as they fielded proposed changes. This cooperation led to helping the Parliament's Economic Department organize a round table discussion of the draft communal property law on September 19. The session was attended by Local Government Minister Omuraliev, 5 MPs, including the heads of committees reviewing the draft, about 10 parliamentary staff, and UI staff. UI provided background materials and made a presentation on the draft law and issues that arise in the version presented by the President's Administration to Parliament, which differed on a couple of issues from what the previous draft developed with UI's assistance contained. The MPs were receptive to UI's comments, particularly as regards removing reference to a role for the State Property Fund (SPF) in

dispositions of communal property. An unexpected problem arose when a key MP urged that the law include provisions on financing local self-government, in spite of comments from UI and Omuraliev that these issues are better and more comprehensively dealt with in other pending legislation. UI is now working with parliamentary staff to address this concern. It is likely that the name of the law would be changed to reflect that it governs physical assets of local self-governments, and not financial systems. Parliamentary staffers remain confident that the law in its current version minus reference to the SPF will be adopted this fall.

UI in conjunction with its partner, the Association of Cities, visited Osh, Mailuu-Suu, and Jalal-Abad to assist the latter develop lists of properties for transfer to municipal ownership. These lists were then submitted to the national government for review. Resolutions on the transfers have been ready since mid-September, though the national government is yet to take final action for most cities.

UI presented to Gosregister comments on the final draft manual on special cases regarding registration of parks, enterprises, multi-unit buildings. Comments focused on ensuring that the Gosregister employees in the field were aware that the Kyrgyz Land Code allowed for automatic private ownership of certain kinds of land parcels as well as how to register communal ownership of certain types of buildings and especially land parcels. It also provided two sets of comments to the Land Reform Project's manual on urban land sales, the gist of which was to make explicit Land Code provisions positing the automatic conversion of permanent use rights to ownership rights.

Additional materials have been drafted for UI's Asset Management toolkit, the primary dissemination instrument as UI plans to increase its activities from 4 pilot cities to 18 cities across Kyrgyzstan. The toolkit will consist of legal and practical instruments and instructions for managing communal property developed over the life of the project as well as cases drawn from experience, primarily in Uzgen and Tokmok. UI is aiming to publish the tool-kit for general dissemination by the end of October, in advance of regional seminars to be held with Minister Omuraliev in the first half of November.

**Development of Effective Local Government Training**—Training on preparations for public budget hearings was held in Karakol, Naryn, and Balykchi for kenesh deputies, city administration officials, NGO and community group representatives. Training on principles of local self-government was delivered in Balykchi.

UI completed a training capacity assessment of local partners and is in the process of finalizing the document. In part based on this assessment, UI signed an agreement with the Association of Cities for the latter to deliver UI-developed training modules for a three-month period. UI's Training Coordinator also visited ICMA Regional Training Center in Pavlodar and Civil Service Agency in Astana and Institute of State and Local Government in Almaty to view how institutionalization of training had occurred in Kazakhstan.





**Information Sharing Increased/Association of Cities**—The training on asset management that followed the communal property conference was in part run as a round table discussion to allow the invited officials from 18 cities share their experiences. It was particularly valuable in that cities that had already received transfers of properties were able to inform their colleagues from cities soon to receive properties about practical issues that the cities have faced. UI also facilitated a discussion among the cities and representatives from Gosregister, the entity that will secure the cities' property rights, particularly over land. The Association of Cities held several regional workshops with funding from the Soros Foundation, which also has provided an opportunity for cities to network.

UI's website ([www.ui.kg](http://www.ui.kg)) continues to be maintained in its Russian and English versions. UI also produced a second issue of its newsletter on developments in local government in the country and UI's project activities.

The Association of Cities came under pressure from Local Self-Government Minister Omuraliev. The government issued a resolution giving Omuraliev wide powers to oversee policy and work in the area of local self-government, including centralizing work done in this arena and Association staff was informed that they should become aides to the minister. This threat has apparently passed, though Omuraliev is a notoriously mercurial and powerful figure. UI will seek to use close relations built up with Omuraliev to encourage acceptance of the Association's independence.

The Association's standing increased substantially in September as it provided expertise to the national government on draft legislation. In particular, the Association scored a victory for local self-governments' property rights. On the basis of information from the State Property Fund, the Kyrgyz government passed a resolution approving the state privatization program for 2001-2003, which included properties that had already been transferred to cities' communal property. The Association protested this and succeeded in prompting the government repeal its resolution. The SPF informed the cabinet of ministers that it was revising its list of property to be privatized in accordance with the Association's recommendations. UI anticipates signing an agreement to focus on capacity building and outreach for the Association in October.

### **Increased Local Government Authority**

**Intergovernmental Roles Clarified**—UI stepped up its involvement with policy-making at the national level by seizing an opportunity to reintroduce itself into the drafting process on pending legislation on local self-government. At the request of the President's Administration, UI submitted an overview of components to a good local government law (based on the Council of Europe charter), a review of the two drafts against these conceptual components and stressed a few major recommended changes. The comments were well received, with a couple of conference committee members calling on UI to follow up. The Administration has approached UI about holding a round table discussion for MPs and national officials on the draft legislation in October.

Materials for round table meetings on intergovernmental financial arrangements between oblast, rayon and city levels were prepared. These materials include charts of revenues and expenditure assignments, and a form for calculation of budget impacts of changing these assignments. These materials are distributed in Kara-Suu where the first round table meeting is planned in late October.

**Local governments have greater control over revenues**—UI continues to work with the Ministry of Finance, Parliament, the Fiscal Reform Project and other players to ensure that the property tax is enacted as a tax benefiting only cities and under substantial control of city governments. UI made two sets of comments on draft legislation and has sought to bring cities into the policy discussion.

Following the round table discussion in parliament on the draft communal property law, there appears broad consensus that local governments should benefit from any use or disposition of communal property. The law should be adopted at some point this fall.

**Local governments inform national policy dialogue**—UI has also secured participation of city officials at important meetings to discuss property tax and the draft budget concept. The mayors' presentations at the property tax meeting were important to convince MPs and other national officials that cities were both interested and likely capable of implementing the tax as a purely local, city tax. In particular, UI's longtime partner, the mayor of remote Naryn provided a common sense 'reality check' for national officials about local governments' ability. Further, following the July asset management conference, cities have also contacted their MPs to urge them to pass quickly the draft communal property law.

### **Significant Findings and Delays**

Katie Reikofski resigned as Chief of Party after a previously agreed upon term of two years. She will be missed. Charlie Undeland, formerly a Resident Advisor has become Chief of Party. Bill Kugler will be arriving in Kyrgyzstan in October as a replacement for Mr. Undeland as Resident Advisor. Third Resident Advisor Hilary Smith will be departing on maternity leave in mid-December.

Due to slow start-up costs, the initial burn rate (February to May 2001) on the contract was approximately, \$112, 000 per month. More recently we calculated that the burn rate has been running at about \$160,000 per month on average and we estimate that this rate will continue going forward. In the coming months, we expect to increase spending starting in October as a result of (1) hiring the third resident advisor, (2) approximately \$45,000 in grant payments, (3) increase in regional meetings and seminars, and (4) activation of activities of subcontractor, Association of Cities. In addition, we have accrued expenses, which are not yet reported as a result of a lag in submission of invoices and processing time.

UI faces two sets of challenges on draft legislation affecting local self-government. The MPs' push to legislate on local government finance in the communal property law may bog down passage of the law, because much conceptual work needs to be done to reach consensus



among Kyrgyz stake-holders on organizing financing of local self-government. UI is working with parliamentary staff to convince the MPs that concerns on local government finance are best addressed in other legislation.

Second, the draft law on local self-government contains flaws. Some, particularly functional assignments, may be addressed in this law or in future laws on financing or delineation of powers. However, the most current draft of the law contains articles which would effectively create two types of local self-government cities, with one set having mayors selected by councils from among candidates proposed by the president, while other cities would have more or less open direct elections of mayors. There are also other provisions, which would allow the state to retain some administrative control, even though in principle the law provides for greater autonomy of local self-government than the existing system. It will be hard to overcome these specific administrative provisions if they become enshrined in law. UI is seeking to engage all parties to try to ensure that legislation allows all local self-governments to be constituted democratically.

Parliament has delayed passage of election amendments that would allow for substantially open elections of mayors in rayon-subordinate cities and villages. It is now anticipated that these elections may be held in December, but it is still not certain if Parliament will act. Parliament will be busy with legislation necessitated by conditions set by the IMF to approve a new credit agreement, as well as preparation of next year's budget.

Minister Omuraliev has taken up the cause of promoting condominiums across Kyrgyzstan. UI will be holding a meeting for city officials in the south on condominiums and housing issues together with the Minister in October. This high level focus and support is extremely welcome and will likely further invigorate the condominium movement. At the same time, UI will be on guard against government attempts to take over what has been, until now, a genuine grassroots movement.

There is potentially parallel work being done by Kyrgyz officials on regulating local government finances. The MoF and the Parliament's Budget and Tax committees have been addressing issues relating revenue assignments for local governments yet Minister Omuraliev and to some extent the Presidential Administration plan to draft a separate law for local self-governments' financing. UI will work with all parties to develop a coherent approach that will benefit local governments.

### **Work Planned for Next Reporting Period**

- Intensification of work with Presidential Administration and Parliament to influence draft legislation on local self-government and communal property; likely conference on local self-government draft legislation
- Seminars in the north and south for all city governments on local government-condominium relations in conjunction with the Local Government Ministry



- Seminars in the north and south for all city governments on real estate economics and use of communal property
- Intensive work with the Association of Cities to develop its training capacity, its governance system as an NGO, and its capacity to service its members, especially in the south
- Transfer management of training programs to local institutions based on training capacity assessment
- Roundtable discussions between rayons and cities to clarify expenditure assignments, revenue sharing formulas, stability in revenues, and interpretations of the budget law
- Study tour for municipal financial managers to Hungary
- Dissemination of Asset Management Toolkit to all cities in the Kyrgyz Republic
- Expand work to up to 18 cities to include: building asset management capacity, preparation for public budget hearings, and improving the interface between local government, citizens, and NGOs
- Implementation of projects funded in the second round of community infrastructure grants
- On-going collaboration with Barents on development of a property tax, developing a concept for local government finance
- On-going collaboration with Chemonics on urban land issues
- Completion and compilation of LSG Cities Survey and Condominium Survey

### **Specific Action Requested**

No specific actions are requested this quarter

### **Up-To-Date Schedule of Work**

Work is continuing in accordance with the approved work plan